A Global Consumer Products Company

ANNUAL REPORT 1997

DOREL

LES INDUSTRIES DOREL INDUSTRIES INC.

AT A GLANCE

DOREL INDUSTRIES INC.

SEGMENT	DIVISION	FACILITIES
READY-TO-ASSEMBLE	Ridgewood	Cornwall, Ontario Mississauga, Ontario
	Charleswood	Wright City, Missouri
JUVENILE	Cosco	Columbus, Indiana Cartersville, Georgia Austin, Indiana
	Infantino	San Diego, California
	Maxi-Miliaan	Helmond, Holland
	Dorel (U.K.)	Manchester, England
HOME FURNISHINGS	Dorel Home Products	Montreal, Quebec
	Cosco	Columbus, Indiana Cartersville, Georgia Austin, Indiana
	Leadra Design	Montreal, Quebec

READY-TO-ASSEMBLE

One of the five largest players in the North American RTA industry.

JUVENILE

The segment ranks among the top three in the U.S. juvenile industry.

HOME FURNISHINGS

Cosco is the leading brand name in the growing folding furniture and step stool markets.

PRODUCTS	CUSTOMERS
home-office furniture, entertainment units, kitchen and storage units, juvenile furniture	mass merchants (national/regional), office super stores, building supply centres, traditional furniture stores
children's car seats, strollers, play yards, high chairs, metal cribs, toddler beds	mass merchants, specialty retailers
baby soft carriers, crib mobiles, educational toys	mass merchants, specialty retailers
infant/children's car seats, strollers	juvenile boutiques, retailers
Maxi car seats, strollers	department stores, catalogue stores
metal bunk beds, futons, dinette sets, metal/wood home office furniture	mass merchants, furniture stores
folding tables & chairs, step stools	mass merchants
case goods furniture, youth furniture	furniture stores, mass merchants

CORPORATE PROFILE

Dorel Industries Inc. is a vertically-integrated, global, consumer products manufacturer, specializing in three distinct segments: ready-to-assemble (RTA) furniture, juvenile furniture and accessories and home furnishings.

Dorel is among the five largest players in both the RTA and juvenile industries in North America. It has built on this position and, as a result of strategic acquisitions, has expanded significantly into the U.S.A. and European markets. Dorel's products are sold to over 60 countries worldwide and the Company is currently ranked among the largest furniture manufacturers in North America.

Products include car seats, play yards, high chairs, toddler beds and cribs, a wide variety of ready-to-assemble (RTA) furniture for home and office use, home furnishings including futons, metal folding chairs, tables, step stools and bunk beds, as well as a mid-market line of case goods consisting of bedroom sets, wall and entertainment units.

Dorel employs over 2700 people in 9 countries. Major facilities include the corporate head office, Dorel Home Products and the Leadra Design division in Montreal, Quebec; Ridgewood in Cornwall, Ontario; Cosco in Columbus, Indiana; Charleswood in Wright City, Missouri; and Infantino in San Diego, California. European operations include Dorel (U.K.) in the United Kingdom and Maxi-Miliaan in the Netherlands. Company shares trade on both the Montreal and Toronto Stock Exchanges under the symbols DII.A and DII.B.

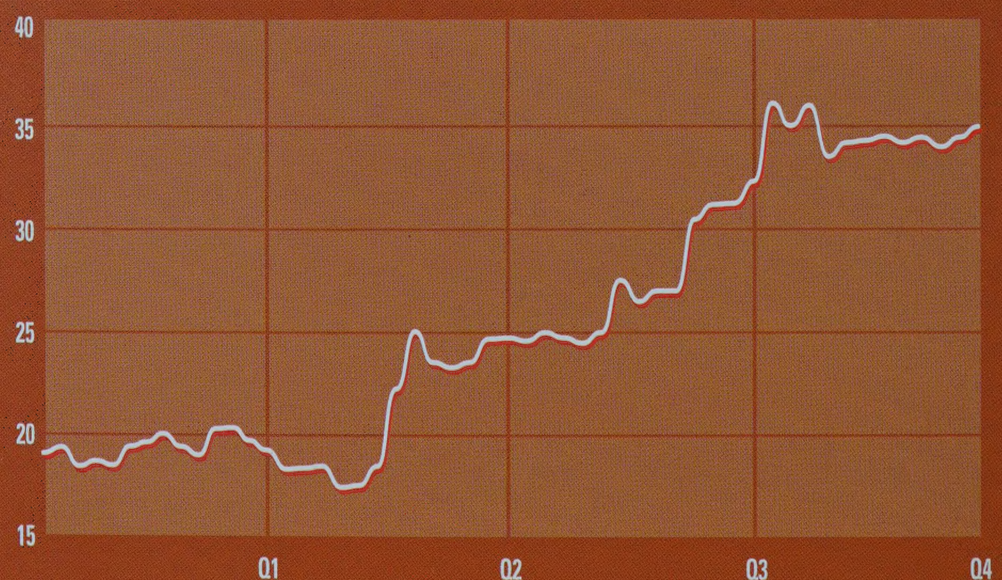
OPERATING RESULTS ($ in thousands except per share amounts)	1997	1996	1995	1994	1993
Sales	$ 531,669	$ 425,816	$ 387,789	$ 333,803	$ 259,966
Cost of sales	398,642	316,772	296,478	259,513	207,373
Gross profits	133,027	109,044	91,311	74,290	52,593
as percent of sales	25.0 %	25.6 %	23.6 %	22.3 %	20.2 %
General and administrative expenses	94,789	84,942	75,169	61,394	41,215
Pretax earnings	38,238	24,102	16,143	12,896	11,378
as percent of sales	7.2 %	5.7 %	4.2 %	3.9 %	4.4 %
Income taxes	12,924	8,560	5,363	4,828	3,882
Net earnings	25,314	15,542	10,779	8,068	7,496
as percent of sales	4.8 %	3.6 %	2.8 %	2.4 %	2.9 %
Earnings per share – Basic •	2.06	1.31	0.91	0.68	0.63
Earnings per share – Fully diluted •	2.00	1.25	0.88	0.68	0.63
Book value per share at end of year ••	12.31	8.33	7.15	6.33	5.37

• Adjusted to account for the weighted daily average number of shares outstanding.
•• Based on the number of shares outstanding at year end.

CONTENTS

1997 WEEKLY STOCK CHART

CLASS "B" SHARES



1997 was a year of further milestones for Dorel. We again established new records for revenues and profitability. Most importantly, Dorel's share price rose to its highest level in our corporate history. We anticipate further growth in 1998 as we continue to solidify our position as a growing global consumer products company.

For the year ended December 31, 1997, sales increased 25% to $531.7 million from $425.8 million in 1996. Net earnings continued their upward spiral, rising 63% to $2.00 per share, fully diluted, from $1.25 fully diluted last year.

We have expanded our annual report this year to provide our shareholders with the opportunity to explore our activities in greater detail and view a cross section of our products. I hope you will take the time to review this information. We have also added an "at-a-glance" section at the beginning of this report to give you an overview of Dorel, our products and our various divisions.

All three segments contributed to our continuing growth. Each has attempted to maximize opportunities to expand their markets, introduce additional higher margin products and strengthen the customer base by adding new customers and increasing business with existing clients. Our 1997 results reflect the success of these initiatives. A cornerstone of our growth, both past and future, is our ability to work closely with customers to ensure that Dorel's reputation as a one-stop source for exciting new products continues to grow.

Ready-to-Assemble Leads Continuing Growth

Ready-to-Assemble was again a driving force in Dorel's growth, reflecting the strong position the industry enjoys with consumers. The U.S. industry publication, *Homeworld Business*, reported that RTA grew by a healthy 9.63% in 1997. It further stated that consumer acceptance of RTA is on the rise, notably in the home office and home entertainment sectors. At last fall's important Home Furnishings Market in High Point, North Carolina, the kitchen, dining areas and bedroom emerged as rooms both retailers and vendors are targeting for growth.

The RTA segment, comprised of Charleswood and Ridgewood, benefited from this popularity and built upon the successes of last year. RTA sales grew by 20% during 1997 and accounted for 62% of the Company's operating profits. The segment added significantly to its list of customers. New product introductions, which

All three segments contributed to our continuing growth.

were a key factor in this growth, also bode well for the current fiscal year. Combined, the two facilities are expected to take advantage of a growing industry, entry into new markets such as office superstores and consumers' increasing appetite for RTA products.

Highlights in our Juvenile segment included Cosco's highly successful re-entry into the stroller market at the beginning of the year, Maxi's strong sales of their first ever, full size car seat, the *Maxi Cosi Priori*, as well as positioning of new products in areas which we have never before targeted, such as the hotel, restaurant and medical sectors, among others. Infantino, our San Diego-based juvenile accessories unit, expanded its operations in 1997 with new offices, new product lines and increased productivity. Out-sourcing has become an important strategy, particularly at Cosco.

Dorel's Home Furnishings segment continued the sales growth pattern set last year, with Cosco, Dorel Home Products (formerly Dorel Canada) and Leadra Design all posting improved revenues. An important event was the signing of an exclusive license with Sealy to manufacture and distribute our popular futons under the Sealy name in Canada and the United States. This is a most exciting development and is expected to materially improve our already dominant position in this sector. Leadra's major emphasis was on the expansion of its youth program with a new line of furniture that has been well received and promises to attract even greater attention through 1998.

Focusing on Our Customers

The excellent relationships we have built with our customers and our established reputation for unparalled service continue to be competitive advantages for Dorel. We work hard to ensure that these relationships not only are maintained, but continue to strengthen. To this end, we pay a great deal of attention to the representatives we hire as our liaison with these customers. Generally, they work for us exclusively and handle only one or two accounts, providing the ability to focus full time on the need of their

customers. These important relationships foster an on-going dialogue that provides vital feedback for use in product design. It is a true win-win situation.

While we are always seeking to cultivate new customers, it is safe to say that Dorel already sells to just about all the majors. That is why internal growth with our existing clients is so very important. We will prosper with these retailers as they open new stores internationally.

Our Financial Position is Strong

During our fourth quarter, we completed a New Issue of Class "B" shares. The offering was over-subscribed. We are pleased at this excellent response which netted $34.55 million dollars. Proceeds will be used to further reduce total bank indebtedness. In fact, as a result of the offering, our debt-to-equity ratio, (debt is net of cash and cash equivalents), is down to 0.42:1. This healthy balance sheet places us in an advantageous situation to benefit from potential acquisitions. New ventures are again on our agenda, now that we have fully integrated our previous corporate acquisitions. To a large degree, Dorel has grown through acquisitions. This strategy has served us well in the past and we are convinced that as long as we focus on what we know best, it will serve us well in the future.

Dorel's profit-oriented approach to manufacturing, continuing efforts to be a low cost, efficient producer and a focus on new product development combined to produce a successful 1997. Our challenge is to ensure this performance continues.

During our fourth quarter, we experienced a greater than anticipated demand for our products. In order to maintain our high level of service and quality and to ensure on-time delivery, we made a commitment to improve facilities and purchase the equipment required to provide the added capacities needed for the next several years.

It has been a most gratifying year. On behalf of the Board of Directors I wish to thank all employees at our facilities around the world for their contribution, as well as our customers and suppliers for your continuing support. To our shareholders, thank you for the confidence you have so clearly demonstrated.

Martin Schwartz

Martin Schwartz
President, Chief Executive Officer

REVIEW OF OPERATIONS

READY-TO-ASSEMBLE

The North American ready-to-assemble (RTA) industry continued to progress through 1997, propelling both Charleswood/Ridgewood to another highly successful year. The industry is continuing to evolve and grow, with a demand for better quality, creating higher price points. Dorel has responded with new products, combining raw materials such as plastic and metal with wood panels. This, combined with an increasing breadth of customers and depth of product, has provided additional opportunities for the RTA segment going forward.

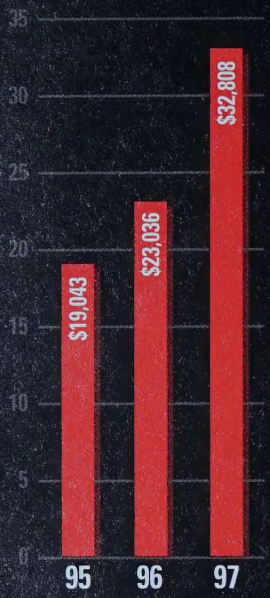
The segment capitalized on its low cost structure, high sale through per square foot and customer service to produce record sales and earnings. Again in 1997, RTA was the leading contributor to the Company's bottom line. Sales rose 20% over 1996 as the segment added significantly to its list of customers and strengthened existing accounts by introducing additional SKU's. Earnings from operations increased 42.4% to $32.8 million.

Both Charleswood/Ridgewood continuously sought improved ways of realigning methods throughout the year. At Charleswood, labour efficiencies increased by approximately 20% over 1996, the result of work cell realignment and a renewed emphasis on machine operator training.

A 30% reduction of scrap was also achieved by placing strong emphasis on scrap recovery operations. With a minimal investment in equipment, Charleswood is now able to recover approximately 20% of all materials normally discarded into useable alternative product. The segment also took advantage of market conditions to reduce the cost of raw materials.

THE SEGMENT CAPITALIZED ON ITS LOW COST STRUCTURE, HIGH SALE THROUGH PER SQUARE FOOT AND CUSTOMER SERVICE TO PRODUCE RECORD SALES AND EARNINGS.

Again in 1997, RTA was the leading contributor to the Company's bottom line.



Earnings from Operations
(in thousands)

	1997	1996	1995
Total Sales	$531.7	$425.8	$387.8
RTA	$145.5	$120.9	$118.4
Percentage	27%	28%	31%

Percentage of Total Sales
(in millions)

Charleswood had its best year ever in adding to its customer base. Significant additions came from both national and regional retailers. As well, a new area, commercial office superstores was opened up. Charleswood augmented its variety of traditional RTA offerings, which continue to sell well, with successful launches of new products. As an example, two new collections were placed with almost every customer added in 1997. An office products line geared to the small office/home office was also introduced.

Ridgewood rigorously controlled factory expenses and realigned a portion of the factory floor, creating more space to handle additional finished product. New equipment was also added to further increase production output, allowing for a more rapid response to customer needs.

Ridgewood's Canadian business grew with strong sales as major mass merchants aggressively increased their furniture purchases. Sales in the U.S. were dominated by solid performances at two of the largest retailers. Home office and juvenile RTA products led the way in 1997 in product development.

In addition, and of great importance to retailers, is the fact that the geographical locations of Charleswood and Ridgewood, as well as parallel

operations at the two facilities greatly complement each other and allow for the flexibility of production where it best suits the customer. This has saved Dorel customers significant dollars in freight costs.

Outlook

Going forward, new markets and products remain a priority for both RTA facilities. New initiatives are being developed to ensure future success. Inroads are being made into both traditional and new channels of distribution.

As an example, Dorel has expanded into the commercial office superstore segment. While this sector has not been addressed in the past, the Company's proven success in the mass merchants category provides the confidence that this area will further contribute to profits.

While Wal*Mart remains the largest RTA account, business with Kmart and other major retailers is growing rapidly.

Although RTA is doing well, the Company always look for ways to make its business more cost efficient and responsive to the needs of customers. The Company's large purchasing power allows for the negotiation of better purchasing agreements and discounts. These efforts and a solid, well-respected position in the RTA industrty are expected to further enhance margins through 1998.

DOREL

ALTHOUGH RTA IS DOING WELL, THE COMPANY ALWAYS LOOKS FOR WAYS TO MAKE ITS BUSINESS MORE COST EFFICIENT AND RESPONSIVE TO THE NEEDS OF CUSTOMERS.

REVIEW OF OPERATIONS

JUVENILE

All of Dorel's juvenile units contributed to another strong year. Overall, sales were up 28%, while earnings from operations rose 46% to $16.4 million in 1997.

Sales of higher margin products continued, while additional items introduced through the year enhanced the segment's product mix. Cosco, the U.S. manufacturer of car seats, high chairs, metal cribs and other juvenile products, had one of its most comprehensive new product introductions. Similarly, Infantino introduced many new products. And, stronger than expected sales of Maxi-Miliaan's full size car seat, the *Maxi Cosi Priori*, rounded out another good year for the Netherlands-based Dorel juvenile unit.

1997 was a strong year for Cosco. The re-entry into the stroller market at the beginning of the year proved very successful with wide placement of the new products.

A well defined and executed strategy provided quick results. Cosco is rapidly becoming one of the top five stroller companies in North America. New products unveiled at the Juvenile Products Show in the United States included eight different stroller models. The reaction was most encouraging.

In Canada, the Dorel Juvenile segment has also entered the stroller market and will strengthen its position with an expanded line for 1998.

Several cost reduction initiatives at Cosco factories were introduced, designed to further reduce production costs. The Bremen sewing facility was closed early in the second half. All remaining work was transferred to Mexico. Out-sourcing has become an important strategy at Cosco, allowing the U.S. plants to concentrate on the production of higher margin merchandise. Strollers provide an excellent example of this. Last year, an arrangement was completed with one of China's largest stroller manufacturers. Under the agreement, Cosco co-develops product for North America and becomes their exclusive distributor on this continent. The arrangement has been a most positive one.

NEW PRODUCT DEVELOPMENT IS AND WILL REMAIN THE BACKBONE OF THE JUVENILE SEGMENT.

Cosco is rapidly becoming one of the top five stroller companies in North America.

Earnings from Operations
(in thousands)

	1997	1996	1995
Total Sales	$531.7	$425.8	$387.8
Juvenile	$232.4	$181.2	$168.7
Percentage	44%	43%	44%

Percentage of Total Sales
(in millions)

New product development is and will remain the backbone of the Juvenile segment. In addition to the successful line of strollers, Cosco introduced an all plastic high chair during the fourth quarter. This product carries a higher standard gross margin than the typical margins of other high chair products. A new, commercial high chair has been introduced in the commercial market. Additional introductions targeted at the hotel, restaurant, and medical sectors are also planned.

Maxi-Miliaan's first ever, full size car seat, designed for children up to the age of four, was introduced in Europe as planned during the first half of 1997. Sales of this premium product have been above plan and the backlog is strong. Maxi's recognized brand name and reputation for quality have been key factors contributing to this success. The European, full size car seat market is strong and Maxi is becoming a significant player in this sector. The order backlog for Maxi's other products is also solid.

Juvenile accessories distributor, Infantino, moved to larger premises during the year, quadrupling shipping and receiving facilities while doubling its warehouse space. This added capacity was the key factor in a more than 50% increase in sales, allowing Infantino to contribute to Dorel's bottom line.

Infantino also expanded its product offerings in 1997, for the first time entering the infant and pre-school educational and toy sector. 1997 also saw significant placement of carriers and mobiles in more major accounts.

Outlook

The successful re-entry into the stroller market, a continuing flow of new, innovative and higher margin merchandise and Maxi's continuing penetration through Europe are but a few of the factors which hold promise for the Juvenile segment in 1998.

Cosco, Dorel's largest juvenile division sees several opportunities. Capitalizing on their strong stroller program, this category will continue to be enhanced with the addition of more unique products. The introduction of an all plastic high chair is expected to recapture market share in this area. As well, considerable attention is being devoted to maintaining Cosco's strong position in the car seat category.

Same store sales grew at the major U.S. retailers that Cosco sells to. Yet there is still room to grow with these accounts, both domestically and as these mass merchants expand internationally. To this end, deeper distribution is planned with all top accounts. Cosco is well positioned to take advantage of this situation due to their strong relationships.

The Canadian juvenile unit is also expanding its stroller product line and it is expected to become a major force in the Canadian market through 1998. Several products are being developed covering all profitable price points.

Maxi's solid and respected position in Europe has been strengthened with its full size car seat. Projects are now on the drawing board for new booster and infant car seats. Maxi is constantly addressing new markets, such as Eastern Europe, Japan, Italy and South America, where certain European-styled products will be introduced to higher-end specialty boutiques.

Dorel (U.K.) is working with the UK's largest catalogue showroom and one of Britian's top retailers. The program began with a line of strollers which will increase steadily in 1998. It is expected that Dorel (U.K.) will roll out this stroller program to other major customers during the fourth quarter.

Infantino is also looking for an even stronger 1998. Significant listings from existing major accounts have been received as well as some test orders with relatively new customers. Infantino will also be actively engaged in sourcing and developing new products and establishing new relationships with foreign manufacturers with a view to distributing their products in the U.S.

REVIEW OF OPERATIONS

HOME FURNISHINGS

While Dorel's Home Furnishings segment contributed to the Company's bottom line, the growth pattern set last year was interrupted. While sales rose to $153.8 million from $123.7 million last year, earnings from operations decreased to $3.7 million from $4.5 million in 1996.

Profits were hurt during the fourth quarter as Montreal-based Dorel Home Products, formerly Dorel Canada, experienced growing pains as demand for its popular lines of bunk beds and futons grew.

At one point during the year, the unit was working out of six different locations in the desire to ensure deliveries. This had a serious impact on Dorel Home Products' profitability. Plans have already been developed to correct the situation, which include a move into a larger, more efficient facility in the Montreal area. This will allow the unit to meet the anticipated growing demands of their customers and will enable Dorel Home Products to produce more competitively.

An important new agreement with Sealy, Inc. is but one of the ingredients for a promising year. Late in 1997, Dorel signed an exclusive license with Sealy to manufacture and distribute futons under the Sealy name in Canada and the United States. This will considerably strengthen Dorel's futon product offering by allowing entry into the higher priced segments in this market through new channels of distribution at Sealy bedding and furniture stores. It will be the only brand name futon on the market. Sealy is the leading brand in the bedding industry and this is confirmed by independent publications such as *Furniture Today*. Shipments are expected to commence during the second quarter of 1998.

Cosco's home furnishings performed well through 1997. Demand for Cosco's line of folding furniture was better than anticipated. Their product line of step stools now specifically targets several markets. For the consumer, step stools have been developed to meet niche requirements for the homeowner and the do-it-yourselfer.

AN IMPORTANT NEW AGREEMENT WITH SEALY, INC. IS BUT ONE OF THE INGREDIENTS FOR A PROMISING YEAR.

Demand for Cosco's line of folding furniture was better than anticipated.

Earnings from Operations
(in thousands)

The production of tables and chairs has been switched to Mexico and China, both adding a new dimension to superior quality of Cosco's folding furniture line and freeing up resources at the main Columbus facility for other products.

Lower labor and production costs in these countries, particularly in China, are resulting in a much more competitive situation for Cosco. As such, market share in this important category is increasing. Demand for Cosco's folding furniture in 1997 was much greater than originally anticipated, reflecting both increased popularity of these items with consumers and Cosco's ability to capture market share from competitors.

At Leadra Design, the strategy is to scale down and offer a more mid-line product. New accounts have been added and additional items have been introduced to existing accounts.

	1997	1996	1995
Total Sales	$531.7	$425.8	$387.8
Home Furnishings	$153.8	$123.7	$100.6
Percentage	29%	29%	26%

Percentage of Total Sales
(in millions)

Leadra's major emphasis is on the expansion of its youth program, intended to capitalize on Dorel's existing customer base. A complete new dimension has been added to both the youth and other bedroom furniture by incorporating new and exciting finishes.

New business has been generated with major retailers in the United States. This is very encouraging as Leadra's strategy

has been to create a line with mass merchant appeal. The division is currently in discussions with other mass merchants throughout North America.

Outlook

Home Furnishings is expected to be a solid contributor to Dorel's bottom line in 1998. Growth is anticipated in all Dorel Home Furnishings units.

The consolidation of Dorel Home Products' manufacturing and distribution operations in a single facility will provide the space to expand capacity and to properly meet demand in 1998 and subsequent years.

As well, product development is being directed to areas which will promote increased revenues. The new manufacturing and distribution facility will provide the required flexibility to deal with the growth anticipated from the new Sealy agreement.

Folding furniture will help drive Cosco's growth. The manufacturer can now offer both the traditional metal pan seat product as well as the classic look, to provide customers with various options. Solid distribution within the step stool category will also continue.

Leadra Design sales are forecast to increase 30% in 1998. Many new accounts were opened thanks to the youth product offering and will be further solidified this year. This line is expected to represent a growing percentage of Leadra's overall business in the upcoming years. Several new and existing customers showed strong interest in the category at the all important High Point furniture show last fall.

Sales
(in millions)

1997 Compared to 1996

For the fiscal year ended December 30, 1997, sales were $531.7 million compared to $425.8 million for the fiscal year ended December 30, 1996, representing an increase of 24.9%. This growth was the result of increased unit sales in all three business segments. Sales of the RTA furniture segment increased to $145.5 million in 1997 from $120.9 million in 1996, an increase of 20.4%. The growth was fuelled by a successful sales program with Kmart USA, as well as by Dorel's success in both growing its customer base and increasing unit sales with existing customers. Juvenile segment sales were $232.4 million in 1997 compared to $181.2 million in 1996, an increase of 28.2%. The most important causes for this increase were the success of Cosco's imported stroller program and Maxi-Miliaan's successful introduction of its new, full size children's car seat. Also contributing to the Juvenile segment's growth was a 62% increase in sales by Infantino. Sales of the Home Furnishings segment increased to $153.8 million in 1997 from $123.7 million in 1996, an increase of 24.3%. The increase resulted primarily from greater Cosco sales of folding furniture and an increase in the sales of the Dorel Home Products division's home office products. Leadra Design also saw an increase in sales in 1997, primarily due to the successful introduction of a new line of youth furniture with retailers such as Rooms To Go.

Gross profit was $133.0 million in 1997 compared to $109.0 million in 1996, an increase of 22.0%. As a percentage of sales, gross profit was 25.0% in 1997 as compared to 25.6% in 1996. Two leading factors in this decrease in gross margin were the growth in Cosco's sales of strollers, which generally have lower margins than other products and the rapid growth in sales of the Montreal-based Dorel Home Products division, which has resulted in poor production efficiencies, with operations being spread over six locations during the year to ensure customer deliveries.

Operating expenses, consisting primarily of selling, general and administrative expenses, were $71.1 million in fiscal 1997 compared to $61.3 million in 1996, an

increase of 16.0%. Operating expenses as a percentage of sales were 13.4% in 1997 compared to 14.4% in 1996. The increase in operating expenses can be attributed primarily to higher marketing and advertising expenditures both at Cosco and Maxi-Miliaan, increased product liability reserves at Cosco, increased costs in shipping and warehousing and higher commissions as a result of the growth in sales volume. The decline in operating expenses as a percentage of sales reflects the fixed cost nature of a portion of these expenses.

Amortization, which includes depreciation, was $13.6 million in 1997 compared to $12.3 million in 1996, an increase of 10.6%. This increase was the result primarily of a higher level of capital assets.

Total operating income was $46.8 million in 1997 compared to $33.6 million in 1996, representing an increase of 39.3%. The operating profit of the RTA segment was $32.8 million in 1997 compared to $23.0 million in 1996, an increase of 42.6%. This increase is directly related to an improvement in the RTA segment's margins, which resulted from a growth in the volume of sales, lower raw material costs and improved factory efficiencies. The operating profit of the Juvenile Products segment was $16.4 million in 1997 compared to $11.3 million in 1996, representing an increase of 45.1%. This increase can be attributed to increased sales volumes and improved performance at all juvenile divisions and subsidiaries. The operating profit of the Home Furnishings segment was $3.7 million in 1997 compared to $4.5 million in 1996, a decrease of 17.8%. This decrease in operating profits resulted from inefficient operations at both the Dorel Home Products division and at Leadra Design which were caused by Dorel's inability to efficiently manage the increase in sales volume of the Home Furnishings segment.

Total interest costs were $8.6 million in 1997 compared to $9.5 million in 1996, a decrease of 9.5%, resulting from lower debt levels throughout the year.

Income taxes were $12.9 million or 33.8% of income in 1996 compared to $8.6 million or 35.5% of income in 1996. The decrease in the effective tax rate is attributable to the proportionate change in pre-tax profits in the different tax jurisdictions.

For the reasons set out above, net income was $25.3 million in fiscal 1997 compared to $15.5 million in fiscal 1996, an increase of 63.2%.

Net Earnings
(in millions)

Segmented Sales Information

Liquidity and Capital Resources

Historically, Dorel's capital requirements have been satisfied principally through cash generated from operations. Cash flow from operations was $39.6 million in 1997 compared to $29.2 million in 1996. Capital investments were $11.2 million in 1997 compared to $12.2 million in 1996. Working capital was $132.4 million in 1997 compared to $100.7 million in 1996.

In 1997, the Company completed a public offering and sale in Canada of Class B Subordinate Voting Shares for net cash proceeds, after deducting the underwriters' fee and expenses of such offering, of $34.55 million. The proceeds of the offering were used to reduce the Company's debt under its credit facilities.

Risks and Uncertainties

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. Although Dorel maintains product liability insurance in an amount which it considers sufficient, no assurance can be given that a judgment will not be rendered against it in an amount exceeding the amount of its insurance coverage or in respect of a claim for which Dorel is not insured. Furthermore, Dorel's product liability insurance includes a per claim deductible, payment of which with respect to a large number of judgments or settlements could also have a material adverse effect on Dorel's financial condition. At Dorel, there is an ongoing effort to improve quality control and to ensure the safety of its products. In this regard, Cosco is the only North American manufacturer of juvenile products with its own in-house sled test for children's car restraints.

Most of Dorel's sales are to major retail chains. In recent years, the retail environment in North America has been highly competitive. If major retailers cease operations, there could be a material adverse effect on the Company's consolidated results of operations. In addition, several major retailers in the United States and Canada have filed for protection from creditors and are reorganizing their affairs under relevant bankruptcy and insolvency legislation. The continuation of this trend could increase Dorel's bad debt expense. The Company conducts ongoing credit reviews and maintains credit insurance on selective accounts to minimize these risks.

For the year ended December 30, 1997, approximately 56% of Dorel's sales were made to Wal-Mart and Kmart, its two major customers. Dorel does not have long-term contracts with either Wal-Mart or Kmart, and sales to such customers are dependent upon Dorel's continuing ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

Geographic Distribution of Sales

Year 2000

The Company continues to review and address potential issues associated with computer applications that could generate erroneous results by or at the year 2000. To date, costs associated with the year 2000 issues have not been material and management expects that the additional costs of concluding the review and addressing the problems will not have any material adverse effect on Dorel's operations or its financial results.

Currency Exposure

Dorel's North American operations generate revenues and incur expenses in both Canadian dollars and U.S. dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. Dorel's European businesses generate revenues and incur labour and material costs in a variety of currencies. In an effort to manage foreign exchange exposure, Dorel employs hedging programs, primarily through the use of foreign exchange forward contracts. Dorel does not speculate in currencies. The amount and timing of the forward contracts are dependent upon a number of factors, such as anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency.

Raw Materials

The principal commodities purchased by Dorel are steel, plastic resin, particleboard and paperboard. 1997 was a relatively stable year in terms of raw material costs, with some prices dropping and others rising.

DIRECTORS

Martin Schwartz,
President,
Chief Executive Officer,
Dorel Industries Inc.

Jeff Segel,
Vice-President,
Sales and Marketing,
Dorel Industries Inc.

Alan Schwartz,
Vice-President,
Operations,
Dorel Industries Inc.

Jeffrey Schwartz,
Vice-President, Finance
and Secretary,
Dorel Industries Inc.

Dr. Laurent Picard,*
C.C.

Bruce Kaufman,*
President,
Kaufel Group Ltd.

Maurice Tousson,*
President,
Medi Trust Pharmacy.

*Members of the
Audit Committee

OFFICERS

Martin Schwartz,
President,
Chief Executive Officer

Jeff Segel,
Vice-President,
Sales and Marketing

Jeffrey Schwartz,
Vice-President, Finance
and Secretary

Alan Schwartz,
Vice-President,
Operations

Frank Rana,
Treasurer

HEAD OFFICE

Dorel Industries Inc.
4750 des Grandes Prairies
Montreal, Quebec
Canada H1R 1A3

LAWYERS

Baron Abrams
5180 Queen Mary Road
Suite 450
Montreal, Quebec
Canada H3W 3E7

AUDITORS

Canada:
Miller Hersh
1411 Fort Street, Suite 200
Montreal, Quebec
Canada H3H 2N6

U.S.A.:
Deloitte & Touche
10 West Market Street
Suite 3000
Indianapolis, Indiana
U.S.A. 46204-2985

Netherlands:
Moret Ernst & Young
Prof. Dr. Dorgelolaan 12
5613 AM Eindhoven
P.O. Box 455
The Netherlands

OPERATING LOCATIONS

Ridgewood
Robert Klassen
3305 Loyalist Street
Cornwall, Ontario
Canada K6H 6W6

6900 Airport Road,
Suite 229
Mississauga, Ontario
Canada L4V 1E8

Charleswood Corporation
Richard Jackson
305 East South First Street
Wright City, Missouri
U.S.A. 63390

Dorel Home Products
Douglas Crozier
4750 des Grandes Prairies
Montreal, Quebec
Canada H1R 1A3

6900 Airport Road,
Suite 229
Mississauga, Ontario
Canada L4V 1E8

Infantino, Inc.
Michael Silberstein
9404 Cabot Drive
San Diego, California
U.S.A 92126

Cosco, Inc.
Nick Costides
2525 State Street
Columbus, Indiana
U.S.A. 47201

220 River Drive
Cartersville, Georgia
U.S.A. 30120

500 North U.S. Highway 31
Austin, Indiana
U.S.A. 47102

Leadra Design Inc.
David Cytrynbaum
11051 Ray Lawson Blvd.
Montreal, Quebec
Canada H1J 1M6

Dorel (U.K.) Limited
Michael Caplan
Hillington House
Stone Hill Road, Farnworth
Bolton, United Kingdom
BL4 9NQ

Maxi-Miliaan B.V.
Kees Spreeuwenberg
Grasbeemd 28
5705 DG Helmond, Holland

Dorel Financial Inc.
P.O. Box 261, Bay Street
Bridgetown, Barbados

Dorel Asia Ltd.
16/F, Tal Building
49 Austin Road
Kowloon, Hong Kong

TRANSFER AGENT & REGISTRAR

Montreal Trust Company

STOCK EXCHANGE LISTING

Shares Symbols: DII.A; DII.B
Montreal & Toronto Exchanges

INVESTOR RELATIONS

Maison Brison
Rick Leckner
3201 Graham Blvd.
T.M.R., Quebec
Canada H3R 1K1
Tel.: (514) 731-0000
Fax: (514) 731-4525

ANNUAL MEETING OF SHAREHOLDERS

Thursday, May 28, 1998
11:00 A.M. in the
Auditorium of the
Montreal Stock Exchange,
800 Victoria Square,
4th floor
Montreal, Quebec,
Canada

* MANAGEMENT'S RESPONSIBILITY *

Dorel Industries Inc.'s Annual Report for the year ended December 30, 1997, and the financial statements included herein, were prepared by the Corporation's Management and approved by the Board of Directors. The Audit Committee of the Board is responsible for reviewing the financial statements in detail and for ensuring that the Corporation's internal control systems, management policies and accounting practices are adhered to.

The financial statements contained in this Annual Report have been prepared in accordance with the accounting policies which are enunciated in said report and which Management believes to be appropriate for the activities of the Corporation. The external auditors appointed by the Corporation's shareholders, Miller Hersh, have audited these financial statements and their report appears below. All information given in this Annual Report is consistent with the financial statements included herein.

Martin Schwartz

MARTIN SCHWARTZ
President, Chief Executive Officer

Jeffrey Schwartz

JEFFREY SCHWARTZ
Vice-President, Finance

* AUDITORS' REPORT *

To the Shareholders of
DOREL INDUSTRIES INC.

We have audited the consolidated balance sheets of DOREL INDUSTRIES INC. as at December 30, 1997 and 1996 and the consolidated statements of income, retained earnings and changes in financial position for each of the years in the three year period ended December 30, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 30, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 30, 1997, in accordance with generally accepted accounting principles.

Miller Hersh

MILLER HERSH
CHARTERED ACCOUNTANTS

Montreal, Quebec
February 6 , 1998

AS AT DECEMBER 30, 1997
(In thousands of Canadian dollars)

Assets

	1997	1996
CURRENT ASSETS		
Cash and cash equivalents	$ 17,306	$ 2,468
Accounts receivable (Note 2)	84,327	64,575
Inventories (Note 3)	97,842	80,872
Prepaid expenses	7,947	6,199
Deferred income taxes	2,241	3,078
Tax benefit available against future income taxes	-	140
	209,663	157,332
CAPITAL ASSETS (Note 4)	66,334	62,411
EQUIPMENT UNDER CAPITAL LEASE (Note 5)	15,242	17,500
DEFERRED CHARGES (Note 6)	3,935	5,026
INTANGIBLE ASSETS (Note 7)	14,628	16,140
	$ 309,802	$ 258,409

Liabilities

	1997	1996
CURRENT LIABILITIES		
Bank indebtedness (Note 8)	$ 9,913	$ 13,951
Accounts payable and accrued liabilities	43,379	39,227
Salaries payable	6,402	5,540
Income taxes payable	3,741	600
Current portion of long-term debt and obligation under capital lease	7,533	26,577
	70,968	85,895
LONG-TERM DEBT (Note 9)	64,524	55,521
OBLIGATION UNDER CAPITAL LEASE (Note 10)	3,977	8,971
DEFERRED INCOME TAXES	7,012	7,930
DEFERRED GAIN	172	202
Shareholders' Equity		
CAPITAL STOCK (Note 12)	65,650	27,798
RETAINED EARNINGS	91,036	67,068
CUMULATIVE TRANSLATION ADJUSTMENT (Note 14)	6,463	5,024
	163,149	99,890
	$ 309,802	$ 258,409

COMMITMENTS (Note 16)
PRODUCT LIABILITY (Note 17)
CONTINGENT LIABILITIES (Note 18)

See accompanying notes.

APPROVED ON BEHALF OF THE BOARD

Martin Schwartz

MARTIN SCHWARTZ
Director

Jeffrey Schwartz

JEFFREY SCHWARTZ
Director

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 30, 1997
(In thousands of Canadian dollars)

	1997	1996	1995
Balance, beginning of year	$ 67,068	$ 51,526	$ 40,747
Net income	25,314	15,542	10,779
Share issue expenses (net of income taxes $663)	(1,346)	-	-
BALANCE, END OF YEAR	$ 91,036	$ 67,068	$ 51,526

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 30, 1997
(In thousands of Canadian dollars, except per share amounts)

	1997	1996	1995
SALES	$ 531,669	$ 425,816	$ 387,789
EXPENSES			
Cost of Sales	398,642	316,772	296,478
Operating	71,059	61,353	51,483
Amortization	13,597	12,299	11,721
Research and development costs	1,538	1,783	1,496
Interest on long-term debt	8,026	8,159	9,311
Other interest	569	1,348	1,158
	493,431	401,714	371,647
INCOME BEFORE INCOME TAXES	38,238	24,102	16,142
Income taxes (Note 20)			
Current	12,490	7,294	4,774
Deferred	434	1,266	589
	12,924	8,560	5,363
NET INCOME	$ 25,314	$ 15,542	$ 10,779
EARNINGS PER SHARE (NOTE 21)			
Basic	$ 2.06	$ 1.31	$ 0.91
Fully diluted	$ 2.00	$ 1.25	$ 0.88

See accompanying notes.

FOR THE YEAR ENDED DECEMBER 30, 1997
(In thousands of Canadian dollars)

	1997	1996	1995
OPERATING ACTIVITIES			
Net income	$ 25,314	$ 15,542	$ 10,779
Items not affecting cash			
Amortization	13,597	12,299	11,721
Loss on disposal of capital assets	209	62	221
Deferred income taxes	434	1,266	589
	39,554	29,169	23,310
Changes in non-cash working capital balances relating to operations (Note 22)	(27,121)	997	(1,929)
	12,433	30,166	21,381
FINANCING ACTIVITIES			
Decrease in long-term debt and obligation under capital lease	(18,238)	(16,111)	(4,021)
Issuance of capital stock	37,852	1,157	-
Share issue expenses	(2,009)	-	-
Note payable	-	-	(147)
	17,605	(14,954)	(4,168)
INVESTING ACTIVITIES			
Additions to capital assets	(11,210)	(12,097)	(11,236)
Disposal of capital assets	554	424	110
Additions to equipment under capital lease	-	(57)	(1,690)
Deferred charges	(549)	(3,471)	(2,599)
Intangible assets	(276)	(460)	(341)
	(11,481)	(15,661)	(15,756)
OTHER			
Effect of exchange rate changes on cash	319	(127)	485
INCREASE (DECREASE) IN CASH	18,876	(576)	1,942
Bank indebtedness, beginning of year	(11,483)	(10,907)	(12,849)
CASH (BANK INDEBTEDNESS), END OF YEAR	$ 7,393	$ (11,483)	$ (10,907)

* Cash comprises cash and cash equivalents net of bank indebtedness.

See accompanying notes.

AS AT DECEMBER 30, 1997
(In thousands of Canadian dollars, except per share amounts)

NOTE 1 - ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from the date of their acquisition. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant estimates have been made by management with respect to the potential outcomes of outstanding litigation associated with the Company's product liability claims as outlined in Note 17. Actual results could differ from those estimates, thus making it reasonably possible that a change in these estimates could occur in the near term.

Cash and Cash Equivalents
All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Inventories
Raw material inventories are valued at the lower of cost and replacement cost. Finished goods inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in; first-out basis.

Amortization
Capital assets and equipment under capital lease are amortized as follows:

	Method	Rate
Buildings and improvements	Straight-line	2 1/2 %
Machinery and equipment	Declining balance	15 %
Moulds	Straight-line	5 years
Furniture and fixtures	Declining balance	20 %
Vehicles	Declining balance	30 %
Computer equipment	Declining balance	30 %
Leasehold improvements	Straight-line	5 years

Deferred charges
Deferred charges are carried at cost less accumulated amortization.

- Research and Development Costs:
  The Company has incurred costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed unless they meet specific criteria related to technical, market and financial feasibility. Certain of the Company's juvenile and houseware product development costs in the amount of $1,188 (1996 - $1,450, 1995 - $1,473) were deferred and are being amortized to operations on a straight-line basis over a period of two years.

- Start-up Costs:
  The Company follows the policy of capitalizing certain start-up costs relating to the development of new manufacturing and distribution facilities. These amounts are amortized to operations on a straight-line basis over a period of three years.

- Financing Costs:
  The Company has incurred certain costs related to the issue of long-term debt. These amounts are amortized to operations on a straight-line basis over the terms of the related long-term debt.

- Barter Credits:
  Barter credits were acquired from the sale of inventory and equipment and will be utilized within the four-year term of the agreement through purchases from suppliers.

Intangible Assets

- Goodwill:
  Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired of subsidiary companies. The amortization expense is computed by the straight-line method over a period of 40 years.

NOTE 1 - ACCOUNTING POLICIES (Cont'd)

The Company evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. The Company also considers projected future operating results, trends and other circumstances in making such evaluations.

- Patents:
  Patents are amortized by the straight-line method over their useful lives.
- Other:
  Other intangible assets are amortized by the straight-line method over a period of three years.

Foreign Currency Translation

- Self-Sustaining Foreign Operations:
  Assets and liabilities of the self-sustaining operations are translated to Canadian dollars at the rates in effect at the balance sheet date. Income and expenses are translated at average rates of exchange for the year. The resulting gains or losses are accumulated as a separate component of shareholders' equity.
- Hedging of Foreign Currencies:
  Gains and losses on the translation of the bank loans to hedge the net investment in self-sustaining operations are offset against the exchange gains or losses arising on translation of the financial statements of the foreign operations included in the separate component of shareholders' equity.

The cumulative translation adjustment in shareholders' equity represents the net unrealized foreign currency translation gain or loss on the Company's net investment in self-sustaining operations.

Derivative Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to fluctuation in foreign currency exchange rates. Derivatives are used as part of the Company's risk management strategy, are designated at inception as a hedge, and are measured for effectiveness on an ongoing basis. The Company does not use derivative financial instruments for speculative or trading purposes.

Gains and losses that are designated and effective as hedges of anticipated transactions are deferred and recognized in income in the same period that the underlying transaction is settled.

Pension Plans

The Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accrued benefit method. The plans provide benefits based on a defined benefit amount and length of service.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period.
- interest on the actuarial present value of accrued pension benefits less earnings on pension fund assets.
- amounts which represent the amortization of the unrecognized net pension assets that arose when accounting policies were first applied and subsequent gains or losses arising from changes in actuarial assumptions, and experience gains or losses related to return on assets on the straight-line basis, over the expected average remaining service life of the employee group.

Post-Retirement Benefits Other Than Pensions

Post-retirement benefits other than pensions, such as health care and life insurance benefits for retired employees, are generally charged to operations as incurred.

Deferred Gain

Deferred gain results from a sale and leaseback transaction of specific machinery and equipment and is amortized to operations as a reduction of amortization expense over the life of the related leased assets.

Reclassifications

Certain of the prior year's accounts have been reclassified to conform to the 1997 financial statement presentation.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	1997	1996
Total accounts receivable	$ 95,426	$ 72,223
Allowance for anticipated credits	(9,707)	(7,013)
Allowance for doubtful accounts	(1,392)	(635)
	$ 84,327	$ 64,575

Note 3 - INVENTORIES

Inventories consist of the following:

	1997	1996
Raw materials	$ 38,791	$ 28,356
Work in process	9,400	8,524
Finished goods	49,651	43,992
	$ 97,842	$ 80,872

Note 4 - CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 1997	Net 1996
Land	$ 1,606	$ -	$ 1,606	$ 1,542
Buildings and improvements	38,178	8,468	29,710	28,956
Machinery and equipment	43,274	26,619	16,655	15,578
Moulds	30,714	18,543	12,171	8,674
Furniture and fixtures	2,904	1,653	1,251	1,220
Vehicles	669	473	196	250
Computer equipment	5,237	3,648	1,589	1,527
Leasehold improvements	923	391	532	532
Construction in progress - equipment	2,624	-	2,624	4,132
	$ 126,129	$ 59,795	$ 66,334	$ 62,411

Note 5 - EQUIPMENT UNDER CAPITAL LEASE

	Cost	Accumulated Amortization	Net 1997	Net 1996
Building improvements	$ 2,887	$ 320	$ 2,568	$ 2,523
Machinery and equipment	15,318	7,373	7,945	9,264
Moulds	10,983	6,560	4,423	5,297
Vehicles	63	19	44	56
Computer equipment	1,324	1,061	263	360
	$ 30,575	$ 15,333	$ 15,242	$ 17,500

Note 6 - DEFERRED CHARGES

	1997	1996
Development costs	$ 2,134	$ 2,242
Start-up costs	-	30
Financing costs	345	714
Barter credits	1,456	2,040
	$ 3,935	$ 5,026

Amortization of deferred development costs and all other deferred charges amounted to $1,256 (1996 - $1,034, 1995 - $790) and $1,139 (1996 - $635, 1995 - $763), respectively.

Note 7 - INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 1997	Net 1996
Goodwill	$ 14,807	$ 1,407	$ 13,400	$ 15,158
Patents	1,365	230	1,135	876
Other	98	5	93	106
	$ 16,270	$ 1,642	$ 14,628	$ 16,140

NOTE 8 - BANK INDEBTEDNESS

Bank indebtedness of the Company and certain of its subsidiaries is secured by an assignment of their accounts receivable, inventories and by a floating charge on all other assets of the companies. The interest rates on the outstanding borrowings averaged 6.0% for 1997 and 1996.

As at December 30, 1997, the Company had unused and available bank lines of credit amounting to approximately $17,610 (1996 - $13,833), subject to margin calculations.

NOTE 9 - LONG-TERM DEBT

	1997	1996
Revolving Bank Loans		
Bank loans on the Company's general credit, bearing interest at various rates averaging 6.17% (1996 - 6.08%) per annum based on LIBOR or U.S. bank rates, within authorized rotative credits of $36,500 U.S., secured by accounts receivable and inventories of subsidiary companies with the principal balance due January 1999 (1997 - $32,000 U.S., 1996 - $25,800 U.S.)	$ 45,776	$ 35,361
Term Bank Loans		
Secured by a first mortgage on specific real estate having a carrying value of $3,170, a second rank charge on accounts receivable and inventories and a first rank charge on other assets of the Company bearing interest at 9.07% per annum with principal repayments as follows: • 28 monthly instalments of $149 ($104 U.S.) ending in June 2000 • 23 monthly instalment of $572 ($400 U.S.) ending May 2002 • Final payment due June 2002 of $547 ($382 U.S.) ($12,500 U.S.)	17,881	17,133
Secured by accounts receivable, inventory and all other assets of a subsidiary company repayable by quarterly installments of $118 plus interest of 7.8% per annum ending in 2000 (1997 - 1,650 NLG, 1996 - 2,250 NLG)	1,230	1,767
Installment Notes		
Secured by specific real estate and equipment:		
• Repayable by quarterly installments of $493 plus interest at 8.83% per annum, with remaining principal due in 1997 (1996 - $14,240 U.S.)	-	19,518
• Repayable by monthly installments of $26 combining principal and interest at 7.25% per annum, ending in 1997 (1996 - $106 U.S.)	-	145
• Repayable by monthly installments of $30 combining principal and interest at 7.077% per annum, with remaining principal due in 1999 (1997 - $1,263 U.S.,1996 - $1,419 U.S.)	1,807	1,945
Notes Payable		
Secured by the issuance of a deed of pledge on the shares of a subsidiary company, bearing interest at 7% per annum:		
• Repayable by semi-annual installments of $1,113 ending in 1997 (1996 - 1,417 NLG)	-	1,113
	66,694	76,982
Current portion	2,170	21,461
	$ 64,524	$ 55,521

NOTE 9 - LONG-TERM DEBT (Cont'd)

The aggregate repayments in subsequent years of existing long-term debt will be:

Fiscal Year Ending	Amount
1998	$ 2,170
1999	49,571
2000	4,660
2001	6,879
2002	3,414
	$ 66,694

NOTE 10 - OBLIGATION UNDER CAPITAL LEASE

	1997	1996
Repayable by monthly installments not to exceed in aggregate $512 combining capital and interest averaging 8.5% per annum with no contracts extending beyond the year 2000	$ 9,340	$ 14,087
Current portion	5,363	5,116
	$ 3,977	$ 8,971

The aggregate repayments in subsequent years of minimum lease payments under capital leases will be:

	Fiscal Year Ending	Amount
	1998	$ 5,985
	1999	3,511
	2000	709
Total minimum lease payments		10,205
Interest		865
		$ 9,340

NOTE 11 - FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The Company uses derivative financial instruments as outlined in Note 1, to reduce exposures to fluctuations in foreign exchange rates. The Company's derivative financial instruments include foreign exchange contracts. The Company's non-derivative financial instruments include those as outlined below. By their nature, all such instruments involve risk, including market risk and the credit risk of non performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair Value of Recognized Financial Instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	December 30, 1997		December 30, 1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	$ 17,306	$ 17,306	$ 2,468	$ 2,468
Accounts receivable	84,327	84,327	64,575	64,575
Financial Liabilities				
Bank indebtedness	9,913	9,913	13,951	13,951
Accounts payable and accrued liabilities	43,379	43,379	39,227	39,227
Salaries payable	6,402	6,402	5,540	5,540
Long-term debt and obligation under capital lease	76,034	76,534	91,069	91,271

The carrying amounts shown in the table above are those which are included in the balance sheet and/or notes to the financial statements.

NOTE 11 - FINANCIAL INSTRUMENTS (Cont'd)

Determination of Fair Value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, salaries payable - The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Long-term debt and obligation under capital lease - The fair value is estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

Letters of credit - As described in Note 16, the Company has certain letter of credit facilities of which management does not expect any material losses to result from these instruments.

Foreign Exchange Risk Management

The Company enters into various types of foreign exchange contracts to manage its exposure to foreign currency risk as indicated in the following table:

	December 30, 1997		December 30, 1996		December 30, 1995	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Future contracts	$ 49,500	$ 48,804	$ 36,000	$ 35,543	$ 5,000	$ 4,990
Forward exchange contracts	2,514	2,527	959	959	-	-
Options	1,137	1,137	-	-	-	-

The Company enters into foreign exchange contracts to hedge particular anticipated but not yet committed sales and purchases expected to be denominated in those currencies when such transactions are probable and the significant characteristics and expected terms are identified. The term of the currency derivatives ranges from three to nine months. The Company's market risk with respect to foreign exchange contracts is limited to the exchange rate differential.

Deferred unrealized gains and losses on these contracts are presented in the following table, showing the periods in which they are expected to be recognized in income.

	1997	1996	1995
To be recognized within			
Three months	$ 233	$ 145	$ -
Six months	220	173	6
Nine months	230	139	4
	$ 683	$ 457	$ 10

Concentrations of Credit Risk

Substantially all accounts receivable arise from sales to the retail industry. Sales to major customers represented 55.8% (1996 - 51.1%, 1995 - 52.8%) of total sales. Accounts receivable from these customers comprised 63.0% and 47.4% of the total at December 30, 1997 and 1996, respectively.

NOTE 12 - CAPITAL STOCK

The capital stock of the Company is as follows:

Authorized

An unlimited number of preferred shares without nominal or par value, issuable in series.

An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.

An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

NOTE 12 - CAPITAL STOCK (Cont'd)

Details of the issued and outstanding shares are as follows:

	1997		1996	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of year	4,005,490	$ 5,072	4,037,900	$ 5,113
Converted from Class "A" to Class "B" at an average rate of $1.27 per share (2)	(51,500)	(65)	(32,500)	(41)
Balance, at end of year	3,953,990	$ 5,007	4,005,490	$ 5,072
Class "B" Subordinate Voting Shares				
Balance, beginning of year	7,990,606	$ 22,726	7,794,306	$ 21,528
Issuance of capital stock (1)	1,075,000	36,550	-	-
Issued under stock option plan	182,375	1,302	163,800	1,157
Converted from Class "A" to Class "B" at an average rate of $1.27 per share (2)	51,500	65	32,500	41
Balance, end of year	9,299,481	$ 60,643	7,990,606	$ 22,726
TOTAL CAPITAL STOCK		$ 65,650		$ 27,798

1. Under an agreement dated November 5, 1997, between the Company and HSBC James Capel Canada Inc., as underwriters, the Company agreed to sell and the underwriters agreed to purchase on November 19, 1997, 1,075,000 Class "B" Subordinate Voting Shares at a price of $34.00 per share for an aggregate consideration of $36,550 all pursuant to a prospectus dated November 5, 1997.

2. During the year, the Company converted 51,500 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of $1.27 per share.

3. Under the Company's current financing arrangements, the payment of dividends, redemption and repurchase of capital stock cannot exceed 25% of net income.

NOTE 13 - STOCK OPTIONS

Options may be granted on the Class "B" Subordinate Voting Shares at the discretion of the board of directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options may be granted, less any discounts permitted by law and by regulations of the securities authorities to which the Company is then subject. No option may be exercised during the first year following its granting and is exercisable, on a cumulative basis, at the rate of 25% in each of the following four years, at which time the options will expire:

The Company's stock option plan is as follows:

	1997		1996	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	563,700	$ 7.15	727,500	$ 7.13
Exercised	182,375	$ 7.14	163,800	$ 7.06
Options outstanding, end of year	381,325	$ 7.21	563,700	$ 7.15

A summary of options outstanding at December 30, 1997 is as follows:

Total Outstanding				Total Exercisable	
Options	Exercise Price	Weighted Average Exercise Price	Weighted Average Contractual Remaining Life	Options	Weighted Average Exercise Price
381,325	$ 7.00 - $ 9.38	$ 7.21	2	181,375	$ 7.18

NOTE 14 - CUMULATIVE TRANSLATION ADJUSTMENT

An analysis of the cumulative translation adjustment included in shareholders' equity is as follows:

	1997	1996	1995
Balance, beginning of year	$ 5,024	$ 6,413	$ 7,479
Translation of self-sustaining foreign operations	3,613	(1,149)	(1,650)
Translation of foreign loans hedging net investment in foreign operations	(2,174)	(240)	584
Balance, end of year	$ 6,463	$ 5,024	$ 6,413

NOTE 15 - PENSION PLANS

The Company's subsidiaries sponsor two employee benefit programs. The benefits for the defined benefit plan are based on years of service with the Company. The future rate of return on assets of the plans are assumed to average 9.5%. Estimated projected benefit obligations of the plans were determined using discount rates averaging 7.25% (1996 - 7.75%, 1995 - 7.25%).

Net pension costs for the defined benefit plan comprise the following:

Pension expense:	1997	1996	1995
Current service costs	$ 386	$ 443	$ 280
Interest cost on projected benefit obligation	1,381	1,323	1,232
Return on plan assets	(2,088)	(1,024)	(1,114)
Net amortization and deferral	733	(138)	28
	$ 412	$ 604	$ 426

Total expense under the defined contribution plans was $774 (1996 - $643, 1995 - $708).

The following are details of the funded status of the plans and amounts recognized in the consolidated balance sheet at December 30.

Actuarial present value of:

	1997	1996	1995
Accumulated benefit obligation including vested benefits of $20,939, $17,679 and $18,440	$ 21,271	$ 18,068	$ 18,750
Projected benefit obligation for service rendered to date	$ (21,271)	$ (18,068)	$ (18,750)
Plan assets at fair value (primarily listed stocks and short-term investments)	17,442	14,515	13,700
Plan assets in excess of projected benefit obligation	(3,829)	(3,553)	(5,050)
Unrecognized net loss for experience different than that assumed	3,958	3,044	3,799
Unrecognized prior service costs to be recognized over the remaining service lives of employees	1,315	1,358	1,694
Remaining unamortized balance of net pension transition asset at January 1, 1987	(393)	(463)	(547)
Prepaid pension (accrued pension cost)	$ 1,051	$ 386	$ (104)

NOTE 16 - COMMITMENTS

a) The Company has entered into long-term lease agreements bearing various expiry dates to the year 2006. The minimum annual rentals exclusive of additional charges will be as follows:

Fiscal Year Ending	Amount
1998	$ 3,961
1999	3,463
2000	2,844
2001	2,089
2002	1,498
	$ 13,855

b) The Company has letter of credit facilities totalling $40,457 of which unaccepted letters of credit outstanding as at December 30, 1997 and 1996 amount to $8,403 and $5,281, respectively. In addition, a portion of this facility supports standby letters of credit which as at December 30, 1997 and 1996 amount to $1,216 and $1,302, respectively, which serve as collateral for various self-insured workers' compensation programs.

c) On October 17, 1997, the Company entered into a licence agreement effective April 1, 1998 with The Ohio Mattress Company Licensing and Components Group ("Sealy") where the Company has been granted an exclusive licence for three years, expiring March 31, 2001, to manufacture and distribute futons in the United States, Canada and the Territory of Puerto Rico under the Sealy name. Sealy shall have the option to terminate this agreement prior to its expiration in the event that specified minimum sales levels are not achieved in a given year. The Company is required to pay a royalty to Sealy as a percentage of sales with minimum royalty payments to be made as follows:

Licence Year	Minimum Royalty
1998	$ 715
1999	$ 1,287
2000	$ 1,788

NOTE 17- PRODUCT LIABILITY

The Company's subsidiary, Cosco, Inc., is partially self-insured for product liability related to its product lines. This coverage currently provides for a maximum of $715 per claim self-insured retention. The Company has reserved at December 30, 1997 and 1996, $2,500 and $690, respectively, against existing claims which is included in accounts payable. The Company paid $1,340 (1996 - $1,448, 1995 - $728) in settlement of product liability claims.

The Company determines the required liability for such claims based upon various assumptions which include, but are not limited to, the Company's historical loss experience, industry loss standards, projected loss development factors, product mix, and other data. When there appears to be a range of possible loss with equal likelihood, liabilities are recorded at the lower end of range. These factors are reviewed periodically by management, and estimates are adjusted to reflect new information and loss experience. Management estimates that the reasonable range of future expenditures for product liability claims, in the aggregate, is $2,500 to $7,800 at December 30, 1997. Although management cannot predict the ultimate outcome of these matter, they do not anticipate that future product liability expenditures will have a material adverse effect on the financial condition of the Company.

NOTE 18 - CONTINGENT LIABILITIES

The Company is involved in various legal actions and party to a number of other claims or potential claims that have arisen in the normal course of business, the outcome of which is not yet determinable. In the opinion of management, based on information presently available, any monetary liability or financial impact of such lawsuits, claims or potential claims to which the Company might be subject would not be material to the consolidated financial position of the Company and the consolidated results of operations.

NOTE 19 - EMPLOYEE BENEFITS

Certain of the Company's subsidiaries provide employee benefits which include health and accident programs. These companies have elected to self-insure these benefit programs. The expense for the year ended December 30, 1997 was $6,347 (1996 - $6,175, 1995 - $5,925) under this self-insured benefit program.

NOTE 20 - INCOME TAXES

Variations of income tax expense from the basic Canadian Federal and Provincial combined tax rates applicable to income before income taxes are as follows:

	1997		1996		1995	
PROVISION FOR INCOME TAXES	$ 15,295	40.0 %	$ 9,641	40.0 %	$ 6,457	40.0 %
ADD (DEDUCT) EFFECT OF:						
Losses from subsidiary companies not recognized	243	0.6	209	0.9	366	2.3
Manufacturing and processing profits deduction	(226)	(0.6)	(139)	(0.6)	(102)	(0.6)
Non-allowable amortization	387	1.0	373	1.5	350	2.1
Non-deductible expenses	145	0.4	978	4.0	236	1.4
Difference in effective tax rates of foreign subsidiaries	(2,603)	(6.8)	(2,397)	(9.9)	(1,260)	(7.8)
Other - net	(317)	(0.8)	(105)	(0.4)	(684)	(4.2)
ACTUAL PROVISION FOR INCOME TAXES	$ 12,924	33.8 %	$ 8,560	35.5 %	$ 5,363	33.2 %

The following presents the Canadian and foreign components of income before income taxes and income tax expense for the years ended December 30:

	1997	1996	1995
Income before income taxes:			
Domestic	$ 3,188	$ 636	$ 1,585
Foreign	35,050	23,466	14,557
	$ 38,238	$ 24,102	$ 16,142
Details of income tax expense:			
Current			
Domestic	$ 1,324	$ 534	$ 568
Foreign	11,166	6,760	4,206
	12,490	7,294	4,774
Deferred			
Domestic	162	(24)	131
Foreign	272	1,290	458
	434	1,266	589
Total Income Tax	$ 12,924	$ 8,560	$ 5,363

NOTE 21 - EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted daily average number of Class "A" Multiple Voting and Class "B" Subordinate Voting shares outstanding of 12,283,039 (1996 - 11,896,883, 1995 - 11,832,296).

Fully diluted earnings per share are calculated after allowing for the exercise of stock options on the Class "B" Subordinate Voting shares. The number of shares used for the fully diluted earnings per share calculation was 12,678,563 (1996 - 12,559,796, 1995 - 12,559,796). Net income used in determining fully diluted earnings per share has been increased by $86 to give effect to an imputed after tax return of 3% on funds which would have been available on the exercise of stock options.

NOTE 22 - STATEMENT OF CHANGES IN FINANCIAL POSITION

Net changes in non-cash working capital balances relating to operations are as follows:

	1997	1996	1995
Accounts receivable	$ (17,908)	$ 2,757	$ (5,172)
Inventories	(14,936)	(2,338)	(2,761)
Prepaid expenses	(1,800)	(1,073)	(677)
Accounts payable, accrued liabilities and salaries payable	4,244	1,519	7,804
Income taxes payable	3,279	132	(1,123)
Total	$ (27,121)	$ 997	$ (1,929)

Note 23 - Government Assistance

During the year, the Company was awarded grants in the amount of $590 under the Federal Transitional Jobs Fund Program of which $180 has been received as at December 30, 1997. The total amount awarded has been deducted from labour in the accompanying financial statements.

Note 24 - Related Party Transactions

The expenses include rent of $1,080 (1996 - $934, 1995 - $829) charged by a shareholder of the company. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 25 - Segmented Information

Management of the Company has determined that the following segments are the principal business of the Company:

Juvenile	- Manufacturer and distributor of children's furniture and accessories.
Ready-to-Assemble	- Design and manufacturer of ready-to-assemble furniture.
Home Furnishings	- Design, manufacturer and distributor of home furnishings.

Industry Segments

	Juvenile			Ready-to-Assemble			Home Furnishings			Eliminations			Consolidated		
	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995
Sales to customers	$ 232,362	$ 181,216	$ 168,749	$145,522	$ 120,904	$118,426	$ 153,785	$ 123,696	$ 100,614	$ -	$ -	$ -	$ 531,669	$ 425,816	$ 387,789
Inter-segment sales	176	-	-	8,509	3,997	948	1,307	1,426	-	(9,992)	(5,424)	(948)	-	-	-
TOTAL OPERATING REVENUE	232,538	181,216	168,749	154,031	124,901	119,374	155,092	125,122	100,614	(9,992)	(5,424)	(948)	531,669	425,816	387,789
OPERATING PROFIT	$ 16,405	$ 11,264	$ 7,796	$ 32,808	$ 23,036	$ 19,043	$ 3,696	$ 4,487	$ 3,773				52,909	38,788	30,612
Corporate expenses													6,077	5,180	4,001
Interest													8,594	9,506	10,469
Income taxes													12,924	8,560	5,363
NET INCOME													$ 25,314	$ 15,542	$ 10,779
IDENTIFIABLE ASSETS	$ 134,374	$ 116,190	$ 126,419	$ 76,200	$ 65,395	$ 59,587	$ 82,929	$ 65,675	$ 59,592				$ 293,503	$ 247,260	$ 245,598
Corporate assets													16,299	11,149	4,734
TOTAL ASSETS													$ 309,802	$ 258,409	$ 250,332
CAPITAL EXPENDITURES	$ 6,612	$ 6,206	$ 8,057	$ 1,707	$ 3,130	$ 656	$ 2,904	$ 2,693	$ 4,169						
AMORTIZATION	$ 6,936	$ 6,308	$ 5,739	$ 2,602	$ 2,236	$ 2,711	$ 3,669	$ 3,356	$ 2,928						

Geographic Segments

	Canada			United States			Foreign			Eliminations			Consolidated		
	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996	1995
Sales to customers	$ 122,003	$ 99,449	$ 69,467	$361,410	$ 284,817	$279,244	$ 48,256	$ 41,549	$ 39,078	$ -	$ -	$ -	$ 531,669	$ 425,816	$ 387,789
Sales between geographic segments	3,302	4,707	6,801	8,488	9,181	6,632		-	127	(11,790)	(13,888)	(13,560)	-	-	-
TOTAL OPERATING REVENUE	125,305	104,156	76,268	369,898	293,998	285,876	48,256	41,549	39,205	(11,790)	(13,888)	(13,560)	531,669	425,816	387,789
OPERATING PROFIT	$ 13,221	$ 9,819	$ 6,570	$ 32,737	$ 25,171	$ 20,940	$ 6,951	$ 3,798	$ 3,102				52,909	38,788	30,612
Corporate expenses													6,077	5,180	4,001
Interest													8,594	9,506	10,469
Income taxes													12,924	8,560	5,363
NET INCOME													$ 25,314	$ 15,542	$ 10,779
IDENTIFIABLE ASSETS	$ 58,626	$ 46,222	$ 44,050	$204,553	$ 167,482	$163,786	$ 30,324	$ 33,556	$ 37,762				$ 293,503	$ 247,260	$ 245,598
Corporate assets													16,299	11,149	4,734
TOTAL ASSETS													$ 309,802	$ 258,409	$ 250,332

Transfers between geographic segments are accounted for at prices comparable to open market prices for similar products.

Canadian operations include export sales of $96,543 (1996 - $77,592, 1995 - $40,218) primarily to customers in the United States.

Note 26 - United States Accounting Principles

The Company's consolidated financial statements have been prepared in accordance with accounting generally accepted in Canada (Canadian GAAP) which, in the case of the Company, conform in all material respects with those in the United States (U.S. GAAP) and with the requirements of the Securities and Exchange Commission (SEC), except as follows:

Deferred Charges

- Development costs

  Canadian GAAP allows for the deferral and amortization of development costs if specific criteria are met. Under U.S. GAAP all costs classified as development costs are expensed as incurred.

- Start-Up Costs

  Under Canadian GAAP, the Company capitalized certain start-up costs which are amortized over a period of three years. Under U.S. GAAP, these start-up costs are expensed within the year.

Deferred Income Taxes
Under Canadian GAAP, income taxes are recorded under the deferred method which provided for tax allocation on differences between accounting income and taxable income for the period. The tax effect of the differences arising in a year are calculated using the tax rates and regulations existing for that year. The current year amount recorded for deferred income taxes is not adjusted for tax rates and regulations which may change in the future. SFAS No. 109 "Accounting for Income Taxes" recognizes the amount of income taxes payable or refundable in the current year and provides for potential future taxes or benefits arising from differences between the amounts shown for assets and liabilities in the balance sheet and the tax basis of these assets and liabilities at year end.

Pension Plans
Canadian GAAP does not require the recognition of an additional minimum pension liability for pension plans which are underfunded. SFAS No. 87, "Employers' Accounting for Pensions", requires that the minimum pension liability be recorded in the financial statements.

The Company's subsidiary in the Netherlands has a multi-employer pension plan. Under Canadian GAAP this pension plan is accounted for as a defined contribution plan. Under U.S. GAAP, SFAS No. 87 requires the pension plan to be accounted for as a defined benefit plan.

Post-Retirement Benefits Other than Pensions
Under Canadian GAAP, post-retirement benefits other than pensions are generally charged to operations as incurred. Under U.S. GAAP, SFAS No. 106 "Employers' Accounting for Post-retirement Benefits Other than Pensions" requires that post-retirement benefits be accrued during the years the employee provides the necessary service.

Foreign Currency Translation
Under Canadian GAAP, unrealized and realized gains and losses on foreign currency transactions identified as hedges may be deferred as long as there is reasonable assurance that the hedge will be effective. Under U.S. GAAP, deferral is allowed only on foreign currency transaction intended to hedge firm foreign currency commitments.

Stock Options
The United States Financial Accounting Standards Board has issued a new standard SFAS No. 123 for accounting for stock based compensation. The Company has elected to continue to account for its stock-based compensation plan under the guidelines of Accounting Principles Board Opinion No. 25 for purposes of reconciliation to U.S. GAAP; however, additional disclosure as required by the guidelines of SFAS No. 123 is included below.

In accordance with Company policy, the exercise price of the Company's employee stock option equals the market price of the underlying stock on the date of grant. Accordingly, under the rules of APB 25, no related compensation expense was recorded in the Company's results of operations for U.S. GAAP purposes.

If the Company had elected to recognize compensation costs based on the fair value at the date of grant, consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro-forma amounts:

	1997	1996	1995
Pro-Forma net income for U.S. GAAP	$ 24,467	$ 15,138	$ 10,183
Pro-Forma earnings per share			
Basic	$ 1.99	$ 1.27	$ 0.86
Fully Diluted	$ 1.95	$ 1.25	$ 0.85

NOTE 26 - UNITED STATES ACCOUNTING PRINCIPLES (Cont'd)

The above pro-forma net income and earnings per share were computed using the fair value of granted options as at the date of grant as calculated by the Black-Scholes option method. In order to perform the calculation the following weighted average assumptions were made for fiscal years 1997, 1996 and 1995:

	1997	1996	1995
Risk-free interest rate	5.25 %	4.75 %	7.5 %
Dividend yield	Nil	Nil	Nil
Volatility factor of the expected market price of the Company's common stock	0.273	0.273	0.273
Term to maturity	2	3	4

Retained Earnings
Under Canadian GAAP, stock issue costs are shown as an adjustment to retained earnings. Under U.S. GAAP, the carrying amount of capital stock is shown net of issue costs.

Statement of Changes in Financial Position
Under Canadian GAAP, for purposes of the Statement of Changes in Financial Position, cash and cash equivalents include cash net of short-term borrowings. Under U.S. GAAP, cash and cash equivalents includes cash and those short-term liquid investments that are readily convertible into cash. Short-term borrowings are reflected as a financing activity. In addition, under U.S. GAAP, non-cash items such as assets acquired under capital lease are excluded from the Statement of Changes in Financial Position. Under Canadian GAAP, the non-cash items are included in the respective operating, investing or financing activities as applicable.

The following table reconciles the net income as reported on the consolidated statement of income to the net income that would have been reported had the financial statements been prepared in accordance with the United States Accounting Principles and the requirements of the SEC:

	1997	1996	1995
Net income in accordance with Canadian GAAP	$ 25,314	$ 15,542	$ 10,779
Adjustments to reconcile financial statements to U.S. GAAP:			
Deferred start-up costs -82. Unexpensed def'd costs	30	124	458
Deferred product development costs	68	(501)	(729)
Accounting for pensions	53	63	146
Accounting for post-retirement benefits	(935)	(902)	(830)
Accounting for foreign exchange contracts	(226)	(457)	-
Accounting for income taxes	388	1,495	584
	(622)	(178)	(371)
Net income in accordance with U.S. GAAP	$ 24,692	$ 15,364	$ 10,408
Earnings per share			
Basic	$ 2.01	$ 1.29	$ 0.88
Fully diluted	$ 1.97	$ 1.27	$ 0.87

Earnings Per Share
The United States Financial Accounting Standards Board has issued a new standard, SFAS No. 128 regarding the calculation of earnings per share. The Company has computed earnings per share based on this methodology and has applied it retroactively. Basic earnings per share is calculated on the basis of the weighted average shares outstanding for 1997 - 12,283,039, 1996 - 11,896,883 and 1995 - 11,832,296. Fully diluted earnings per share is calculated on the basis of weighted average shares outstanding for 1997 - 12,555,908, 1996 - 12,141,970 and 1995 - 11,963,580 as computed under the treasury stock method.

The following summarizes the balance sheet amounts in accordance with U.S. GAAP where different from the amounts reported under Canadian GAAP:

	1997	1996
Current deferred income tax assets	$ 2,241	$ 3,079
Deferred charges	3,115	4,133
Accounts payable and accrued liabilities	48,650	43,359
Income taxes payable	2,999	(286)
Accumulated post-retirement obligation	15,389	13,819
Deferred income taxes	2,768	4,862
Capital stock	64,304	27,798
Retained earnings	78,777	54,059
Minimum pension adjustment	(2,139)	(1,548)
Cumulative translation adjustment	5,714	4,693

	1997	1996
The components of deferred taxes are as follows:		
Current deferred income tax assets:		
Reserves and allowances	$ 2,566	$ 2,730
Other	59	532
Total current deferred income tax assets	2,625	3,262
Current deferred income tax liabilities	384	183
Net Current Deferred Income Tax Assets	$ 2,241	$ 3,079
Long-term deferred income tax assets:		
Post-retirement benefits	$ 6,310	$ 5,237
Employee pension benefits	900	831
Reserves and allowances	1,611	578
Share issue costs	530	-
Development costs	246	287
Foreign exchange contracts	225	151
Other	943	6
Total long-term deferred income tax assets	10,765	7,090
Long-term deferred income tax liabilities:		
Capital assets	13,533	11,952
Net Long-Term Deferred Income Tax Liabilities	$ 2,768	$ 4,862

The Company's Statement of Changes in Financial Position determined in accordance with U.S. GAAP would be as follows:

	1997	1996	1995
Operating activities	$ 12,018	$ 29,613	$ 19,918
Financing activities	13,564	(16,212)	(6,043)
Investing activities	(10,323)	(14,164)	(12,590)
Effect of exchange rates on cash	(421)	(1,014)	472
Increase (decrease) in cash and cash equivalents	$ 14,838	$ (1,777)	$ 1,757

Head Office
Dorel Industries Inc.
4750 des Grandes Prairies
Montreal, Quebec
Canada H1R 1A3